

STATEMENT OF PURPOSE

RS18235C2

This legislation makes changes to state law regarding eligibility and management of health insurance for active employees and retirees of state service. It clarifies that the Department of Administration will establish an advisory committee comprising members from all three branches of government, and it will also include an active and retired state employee. This legislation requires the director of the Department of Administration to develop a plan, or plans that include active employees and retirees and their dependents and provides that retirees will be pooled with active employees for rating purposes. This legislation changes the eligibility for access to and defines the state's contribution to any state-sponsored health insurance plan or plans for retirees and their dependents. Beginning July 1, 2009, each eligible retiree shall receive \$100 each month or \$1,200 per year toward his/her premiums for health insurance. Any retiree who is currently eligible (whether or not he/she is on the state plan) will remain so until he/she becomes eligible for Medicare. Beginning on January 1, 2010, retired personnel health care coverage will not be available to Medicare eligible retirees and their Medicare eligible dependents. A non-Medicare eligible spouse will be eligible for coverage on a state-sponsored health insurance plan and will receive the monthly subsidy until becoming eligible for Medicare. The Department of Administration is required to provide assistance to those retirees transitioning to a Medicare supplement plan. In the future, an employee will be eligible for health care coverage when he/she retires if he/she meets the following conditions: 1. Was an active employee on or before June 30, 2009; 2. Is eligible for a retirement benefit from a public employee retirement service or a retirement service for educators with at least 20,800 hours of credited state service; and 3. Retires directly from state service. Persons with previous state employment intending to obtain coverage under the state-sponsored plan after retirement from another employer will no longer be able to do so. Finally, any employees or elected officials rehired, reelected, or reappointed on or after July 1, 2009, will be eligible for retiree coverage if they had at least 10 years of previously credited state service before June 30, 2009, accumulate an additional 3 years of credited state service, and are otherwise eligible. Section 2 of this bill removes the limitation on the use of the sick leave benefit accrued by state employees from just group plans to also include individual health plans. This will insure that retirees can use unused sick leave for the Medicare supplement plan. Section 3 of this bill declares this an emergency to ensure the law takes effect immediately.

FISCAL NOTE

The bill reduces the annual cost by \$5,108,700, of which 50% is General Fund. This will also avoid the requirement to fund an additional \$35.1 million for the GASB liability which is requested in the Department of Administration's budget this session. Passage of this legislation will slow the growth of the State's GASB liability and will eventually begin reducing that liability. The State's GASB liabilities are estimated to be \$514.9 million as of June 30, 2010. This bill reduces that

liability to under \$100 million. It is anticipated that if such changes are not made, the State of Idaho's liability will climb to over \$800 million by 2016.

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